



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2009 Biennium

<b>Bill #</b>	HB0748	<b>Title:</b>	Directing Department of Revenue to revise energy tax credit rules
<b>Primary Sponsor:</b>	Sonju, Jon	<b>Status:</b>	As Introduced

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2  | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<b>Expenditures:</b>				
General Fund	\$120,281	\$109,177	\$111,906	\$114,704
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	<u>(\$120,281)</u>	<u>(\$109,177)</u>	<u>(\$111,906)</u>	<u>(\$114,704)</u>

**Description of Fiscal Impact:** This legislation would require the Department of Revenue to review all returns claiming the energy conservation credit within the same year, which would require 2.00 FTE. In addition, the Department of Revenue would need to revise the administrative rules governing this credit.

### FISCAL ANALYSIS

#### Assumptions:

1. This legislation would require the Department of Revenue to revise the administrative rules for the energy conservation credit in consultation with the Department of Environmental Quality. In February 2006, the Department of Revenue revised the administrative rules for this credit after extensive coordination with the Department of Environmental Quality. The cost of this update is anticipated to be minimal and can be absorbed within existing resources.
2. This legislation also requires the Department of Revenue to review all tax returns claiming the energy conservation credit within the year in which the credit is claimed. 2.00 FTE tax examiners would be necessary to perform the reviews.
3. This legislation also requires that the Department of Revenue develop procedures to waive the penalties and interest due if the energy conservation credit is disallowed in a year after the year in which the return was

filed. This provision is assumed to have no fiscal impact because the Department of Revenue already has authority to waive penalties and some interest.

	<b><u>FY 2008 Difference</u></b>	<b><u>FY 2009 Difference</u></b>	<b><u>FY 2010 Difference</u></b>	<b><u>FY 2011 Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
<b>FTE</b>	2.00	2.00	2.00	2.00
<b><u>Expenditures:</u></b>				
Personal Services	\$97,285	\$97,285	\$99,717	\$102,210
Operating Expenses	\$10,996	\$11,892	\$12,189	\$12,494
Equipment	\$11,800	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<b>\$120,081</b>	<b>\$109,177</b>	<b>\$111,906</b>	<b>\$114,704</b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$120,081	\$109,177	\$111,906	\$114,704
<b>TOTAL Funding of Exp.</b>	<b>\$120,081</b>	<b>\$109,177</b>	<b>\$111,906</b>	<b>\$114,704</b>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$120,081)	(\$109,177)	(\$111,906)	(\$114,704)

**Technical Notes:**

1. It is not clear what constitutes denying or allowing the credit within the same year. For example, would the Department of Revenue be required to deny one year from the time the tax return is received, or would the credits claimed for the 2007 tax year need to be reviewed by the start of 2009?
2. The proposed legislation states that the Department of Revenue only allows the credit for the items included in the administrative rule. In fact, the administrative rule indicates that the list is not inclusive. If the investment is not on the list, the taxpayer must demonstrate that the investment satisfies the criteria contained in Title 15, Chapter 32, Part 1.
3. This legislation would allow a specific exemption for waiving penalties and interests for a specific group of taxpayers only. This may be unconstitutional, as it provides preferential treatment for specific taxpayers.

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*Sponsor's Initials*\_\_\_\_\_  
*Date*\_\_\_\_\_  
*Budget Director's Initials*\_\_\_\_\_  
*Date*